

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
GLOBAL EXPEDITED PACKAGE SERVICES 7
(MC2016-196 AND CP2016-280)
NEGOTIATED SERVICE AGREEMENTS

Docket No.
CP2020-95

COMPETITIVE PRODUCT PRICES
GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 2
(MC2013-51 AND CP2013-64)
NEGOTIATED SERVICE AGREEMENT

Docket No.
CP2020-96

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**
(February 28, 2020)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1, issued on February 26, 2020. The question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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1. Please refer to the Excel files showing Priority Mail International (PMI) costs filed in support of the Notices (PMI files), tab "05_Cost_and_Revenue_Calculation." Please also refer to Docket No. ACR2019, Library Reference USPS-FY19-NP36, Excel file "Outbound FY19 ICRA Unit Cost.NP36.xlsx" (NP36 file), tab "PMI," January 31, 2020.
 - a. Please refer to column F, G, H, I, J, and M of the PMI files. Please confirm that the unit mail processing cost (column F), unit delivery cost (column G), unit other cost (column H), unit domestic surface transportation cost (column I), unit domestic air transportation cost (column J), and unit international transportation cost (column M) are from the NP36 file. If confirmed, please explain why the Postal Service uses unit costs filed in the NP36 file to evaluate cost coverage of the instant agreement.
 - b. If the answer to question 1.a. is "confirmed," please also explain whether the Postal Service will use unit costs filed in the NP36 file for all outbound international negotiated service agreements containing PMI volume filed in Fiscal Year (FY) 2020.
 - c. Please refer to column F of the PMI files and explain why Nationwide mailpieces (cells F8:F30) and Metro mailpieces (cells F65:F87) are expected to incur the same mail processing cost as ISC drop-shipped PMI mailpieces.

RESPONSE:

- a. Confirmed. The Postal Service believes that, going forward, a better estimate of future international Negotiated Service Agreement (NSA) PMI costs is generated by using the distribution factors without the anomalous FY 2019 TRACS test, as presented in USPS-FY19-NP36.
- b. The Postal Service plans to use unit costs filed in the NP36 file for all outbound international NSAs containing PMI volume filed in FY 2020.

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- c. The difference between Nationwide and Metro unit costs and ISC Dropship unit costs is the exclusion of window service costs from the ISC Dropship unit cost. Historically, international NSA financial models have not included window service costs, and using the ISC Dropship unit cost is consistent with the historic treatment.

2. Please refer to the Excel files showing Priority Mail Express International (PMEI) costs filed in support of the Notices (PMEI files), tab “05_Cost_and_Revenue_Calculation.” Please also refer to the NP36 file, tab “PMEI.”
- a. Please refer to column F, G, H, I, J, and M of the PMEI files. Please confirm that the unit mail processing cost (column F), unit delivery cost (column G), unit other cost (column H), unit domestic surface transportation cost (column I), unit domestic air transportation cost (column J), and unit international transportation cost (column M) are from the NP36 file. If confirmed, please explain why the Postal Service uses unit costs filed in the NP36 file to evaluate cost coverage of the instant agreement.
 - b. If the answer to question 2.a. is “confirmed,” please also explain whether the Postal Service will use unit costs filed in the NP36 file for all outbound international negotiated service agreements containing PMEI volume filed in FY 2020.
 - c. Please refer to column F of the PMEI file and explain why Nationwide mailpieces (cells F8:F24) and Metro mailpieces (cells F59:F75) are expected to incur the same mail processing cost as ISC drop-shipped PMEI mailpieces.

RESPONSE:

- a. Confirmed. The Postal Service believes that, going forward, a better estimate of future international NSA PMEI costs is generated by using the distribution factors without the anomalous FY 2019 TRACs test, as presented in USPS-FY19-NP36.
- b. The Postal Service plans to use unit costs filed in the NP36 file for all outbound international NSAs containing PMEI volume filed in FY 2020.

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- c. The difference between Nationwide and Metro unit costs and ISC Dropship unit costs is the exclusion of window service costs from the ISC Dropship unit cost. Historically, international NSA financial models have not included window service costs and using the ISC Dropship unit cost is consistent with the historic treatment.

3. Please refer to the Excel files showing First Class Package International Service (FCPIS) costs filed in support of the Notices (FCPIS files), tab “05_Cost_and_Revenue_Calculation.” Please also refer to the NP36 file, tab “FCPIS.”
- a. Please refer to column E, F, G, H, I, and L of the FCPIS files. Please confirm that the unit mail processing cost (column E), unit delivery cost (column F), unit other cost (column G), unit domestic surface transportation cost (column H), unit domestic air transportation cost (column I), and unit international transportation cost (column L) are from the NP36 file. If confirmed, please explain why the Postal Service uses unit costs filed in the NP36 file to evaluate cost coverage of the instant agreement.
 - b. If the answer to question 3.a. is “confirmed,” please also explain whether the Postal Service will use unit costs filed in the NP36 file for all outbound international negotiated service agreements containing FCPIS volume filed in FY 2020.
 - c. Please refer to column E of the FCPIS file and confirm that the Nationwide mailpieces (cells E8:E16) are not expected to incur window services (cost segments 2.2 and 3.2). If not confirmed, please explain why the portion of mail processing cost attributable to cost segments 2.2 and 3.2 was removed from the mail processing cost of Nationwide mailpieces.

RESPONSE:

- a. Confirmed. The Postal Service believes that, going forward, a better estimate of future international NSA FCPIS costs is generated by using the distribution factors without the anomalous FY 2019 TRACs test, as presented in USPS-FY19-NP36.

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- b. The Postal Service plans to use unit costs filed in the NP36 file for all outbound international NSAs containing FCPIS volume filed in FY 2020.
- c. Not confirmed. As noted in the responses to part c of Questions 1 and 2 of this Information Request, historically, international NSA financial models have excluded window service costs. The assumption was that NSA preparation requirements avoided window service costs. For example, mail pieces are pre-labeled with the necessary customs data and do not incur window time to complete the forms. Nevertheless, a portion of the pieces may incur a scan cost at window acceptance. The Postal Service plans to evaluate if reliable data exist to enable proper attribution.